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STATE FOR EUR/WE, H PLEASE PASS TO  
DAN FISK, OFFICE OF SENATOR MEL MARTINEZ

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SUBJECT: SCENESETTER FOR CODEL MARTINEZ, APRIL 14-16, 2009

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11. (SBU) Embassy Madrid warmly welcomes your visit to Spain. When you arrive, the country will be emerging from the Semana Santa holidays as well as a major cabinet reorganization. This April 7 cabinet shuffle was prompted in part by criticism of the GOS' inability to solve the economic crisis, which has seen unemployment rise above 15 percent. U.S.-Spanish relations continue to be strong and based on shared global interests, including the fight against terrorism, the bilateral military relationship, our association in NATO, and rapidly expanding economic ties. President Zapatero's meetings April 5 in Prague with President Obama and a week earlier in Chile with Vice President Biden were followed closely in the press. A strong atmosphere of goodwill and optimism has emerged for increasingly closer bilateral relations and cooperation despite differences over Spain's withdrawal from Kosovo. The Spaniards you meet will be eager to seek your take on Spanish-U.S relations and cooperation in Latin America.

//BILATERAL RELATIONS//

12. (SBU) Spain is an important friend and ally of the U.S., and we value its cooperation. The fights against terrorism, narcotics, and human trafficking are cornerstones of our bilateral relationship. Spanish troops are carrying out important missions in countries such as Afghanistan and Lebanon. Spain has long fought a domestic terrorist threat from the Basque terrorist group ETA and suffered tragically from Islamic extremist terrorism in the 2004 Madrid train bombings. We need to be innovative in finding new and improved avenues for bilateral and multilateral cooperation against the threats we both face. Since winning a second term in March 2008, President Zapatero has publicly and privately stressed his desire to further improve bilateral relations. The relationship will be of increasing importance when Spain takes over the EU presidency in January 2010.

13. (SBU) Despite differences over Iraq in 2004 and more recently over Kosovo's independence, Spain values its relations with the U.S. and is a strong bilateral defense partner. Even after withdrawing its military forces, Spain remained a donor to Iraq reconstruction and maintained its diplomatic presence there. Spain has nearly 800 troops in Afghanistan, operates a PRT, and is planning additional troop and financial support for the August Afghan elections. Spain also allows us the use of two military bases that are critical transit points between the U.S. and Iraq and Afghanistan. Counter-terrorism and law-enforcement cooperation is good. Commercial and cultural relations (e.g. tourism) are also strong. Finally, Spain is a leader in renewable energy technologies and has important investments in the U.S. in wind and solar power and biofuels.

//POLITICAL BACKGROUND//

¶4. (SBU) Zapatero won reelection in March 2008, but his center-left Spanish Socialist Workers Party (PSOE) is seven seats shy of a majority in the 350 seat Congress. The opposition Popular Party (PP) gained seats in the March 2008 general elections and retained losing presidential candidate Mariano Rajoy as its leader. Over a year of worse-than-expected economic news has led to widespread criticism of Zapatero and his economic policymakers for having downplayed the economic difficulties. Perhaps as a manifestation of this, Zapatero suffered his first serious political reverse since winning reelection when his party lost power in the March, 1 2009, regional elections in Galicia. Although popularity ratings for Zapatero and the Socialists are low, the scandal-mired PP has not managed to capitalize on this. The PP has suffered internal divisions and more recently has been dogged by numerous corruption accusations followed obsessively by the Spanish media. The PSOE and PP will face off again in the June European Parliament elections.

¶5. (SBU) Following the 2008 election, Zapatero kept most of his key cabinet members in their posts. Miguel Angel Moratinos remained Minister of Foreign Affairs, but Carme Chacon, the former Minister of Housing, became Spain's first-ever female Minister of Defense; she is described in the press as a possible eventual successor to Zapatero. Zapatero announced major cabinet changes April 7 as a response to criticism of the GOS' inability to resolve the economic crisis and the need to regroup before the June elections. The most prominent change is the departure of Second Vice President and Minister of Economy Pedro Solbes. Word of the impending changes was leaked on April 5, overshadowing Zapatero's meeting with President Obama in

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Prague, which the GOS has envisioned as a major domestic political triumph after Zapatero's failure to obtain a meeting with President Bush.

//LATIN AMERICA//

¶6. (SBU) Spanish officials have expressed hope that the USG will increase engagement with Latin America in the coming years, sometimes alleging that the United States abandoned the region after 9/11. As you know, Spain wields significant influence in Latin America, where its businesses have invested heavily. Like the U.S., Spain wants strong democratic and free market institutions in the region. Spain shares our concerns and generally acts with the European Union on democracy and good governance in places like Bolivia and Nicaragua.

¶7. (SBU) Problems in Latin America receive prominent press coverage here, with a particular emphasis on endangered Spanish business interests. Spanish-Venezuelan relations are now "normalized" following the highly publicized November 2007 IberoAmerican Summit during which King Juan Carlos famously told Venezuelan President Chavez to "shut up." Chavez visited Spain and made public amends with the King in July 2008. However, President Chavez' reiteration on March 20 that the GOV would nationalize Banco de Venezuela (BdV) (which is owned by Spain's largest bank, Banco Santander) has stirred up possible tensions. Spanish companies have had major problems with Argentina's government, including the nationalizations of Aerolineas Argentinas from the Spanish Marsans Group and of private pension funds, one of which is owned by the BBVA bank. In Ecuador, Spanish oil and gas giant Repsol reached agreement in February to a new contract, and will drop its complaint against the GOE with the World Bank. Immigration matters and the EU's tougher regulations continue to complicate Spain's bilateral relations with immigrant source countries.

//CUBA//

18. (SBU) The Zapatero government believes it can encourage democratic change via engagement with the Castro regime. Spain played a leading role in lifting EU sanctions and in re-starting the EU-Cuba dialogue on human rights in 2008, and subsequently claimed credit for what the GOS assessed to be successful talks and improved conditions in Cuba. Many Spanish officials and media speculate U.S. Cuba policy will change radically with the new U.S. Administration and have closely watched Cuba language in the Omnibus Appropriations bill as well as talk of easing travel restrictions. Former Cuban FM Perez Roque visited Spain in October 2008, and President Zapatero has said he may visit Cuba (no date has been announced). The Spanish seem to have been caught off guard by Raul Castro's removal of Perez Roque and Carlos Lage. Aside from the Omnibus bill provisions, the Spanish press has been covering the various U.S. Congressional visits, statements and proposals regarding prospective changes in the U.S. Cuba policy (e.g. "The Freedom to Travel to Cuba Act"-S428). Spain is home to the second largest Cuban expatriate population after the United States, with an estimated 82,000 Cuban nationals. The "Historic Memory Law" granting citizenship to the grandchildren of Spaniards who left Spain as a result of the civil war went into effect December 29, 2008, and could result in as many as 120,000 Cubans receiving Spanish citizenship.

//ECONOMIC CONTEXT//

19. (SBU) Since Zapatero was re-elected a year ago, the GOS has faced a deepening economic slump. After 15 years of rapid economic growth, the end in 2007 of a long construction boom and the global financial crisis have boosted unemployment over to 15.5 percent in February -- the highest rate in the EU -- and thrust the country into a recession that started last summer. The Bank of Spain projects that unemployment will reach almost 20 percent by the end of 2010, and growth is expected to be negative for all of 2009 and possibly into 2010. Spanish banks had little exposure to U.S. mortgages and were not caught up in the initial wave of European bank turmoil last year. The GOS claims the relative financial stability is a result of the central bank's conservative regulation, including requiring higher loss provisions in good times and discouraging off-balance sheet holdings. However, many banks, especially the "caja" savings banks, are overly exposed to troubled domestic construction and real estate companies, and loan delinquency rates are rising rapidly. The Bank of Spain took over a caja on March 29, 2009. While the authorities hope to address the problem

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by mergers among cajas where possible, the expectation is that they will need to intervene in additional institutions.

10. (SBU) Spain has become a leading investor in the U.S. in recent years, with significant investment in banking, wind and solar power, ethanol, road construction, foods, and insurance. President Zapatero made it a matter of national pride to participate in the November 2008 G-20 financial summit and the April 2 London summit even though Spain is not a G-20 member. He and other Spaniards argue that the size of its economy, the lessons of its regulations, and the importance of its banking sector in Latin America and elsewhere justify Spanish participation. He has spoken often of the importance of coordinated European and U.S. action in facing the crisis.

//MILITARY AND SECURITY COOPERATION//

11. (SBU) Spanish military cooperation is important to the U.S. The southern Spanish bases of Rota and Moron are strategic hubs, midway between the U.S. and theaters of operation in Afghanistan and Iraq. Spain has troops in Lebanon (roughly 1,100), Afghanistan (780), and Bosnia (260), and a smattering of others in various UN & EU observer missions. Although the ISAF mission is not popular with the

Spanish public, Spain has pledged to do more in support of the elections, in providing financial support for the expansion of the Afghan National Army, and in the area of police training. At the NATO summit April 4, President Zapatero announced that Spain would be sending a battalion to reinforce security for the August 20 Afghan election plus Civil Guard trainers and additional soldiers to train a battalion of the future Afghan army. In addition Zapatero pledged 5 million euros towards the Afghan National Army Expansion Trust Fund and 4 million euros in election support.

¶12. (SBU) GOS officials have stressed that the solution in Afghanistan cannot be purely military and that a new, regional strategy is needed. Statements going into the March 31 strategy conferences and April 3-4 NATO Summit indicates the GOS welcomes the new U.S. approach. Spain is not only a military presence in Afghanistan. The Spanish PRT in Qala i Naw has undertaken a variety of development projects, involving potable water, electricity, sanitation, security, culture and education. According to the Spanish Development Agency (AECID), Spanish projects have created about 7,500 jobs for Afghans.

¶13. (SBU) Spain is one of only five EU countries that have not recognized Kosovo's independence. President Zapatero continues to deny recognition of an independent Kosovo state "out of political conviction" and in accordance with his interpretation of international law. Spanish officials often point to the example they fear Kosovo's unilateral declaration of independence may set for Spanish separatist elements. Most recently, on March 19 the government announced the withdrawal of the 660 Spanish troops in KFOR by the end of this summer, and the government suffered severe public and private criticism for the failure to coordinate adequately with Allies, even from Spanish commentators who favored the withdrawal. After Zapatero's March 28 meeting with the Vice President in Chile, the GOS believes we have put this issue behind us.

¶14. (SBU) Elsewhere on the diplomatic front, Spain in recent years has more often been a follower than a leader, looking to stay within EU consensus on issues such as Iran and missile defense. Zapatero hopes the Spanish EU Presidency, beginning in January 2010, will be a centerpiece of his second-term foreign policy efforts. He has also promised to raise Spain's foreign assistance budget to 0.7 percent of GDP by 2012 and has stressed Spain's commitment to the international food security effort. Zapatero was also a founder of the Alliance of Civilizations movement (now under UN stewardship) and had hoped President Obama would attend the second forum of that organization during his April visit to Turkey. Spain is supportive of U.S. efforts towards Middle East peace. Driven by the twin threats of terrorism and illegal immigration, Spain is also increasing its engagement with the countries of North and Western Africa. The seizure by Somali pirates of a Spanish fishing ship in April 2008 sparked GOS interest in addressing piracy.

¶15. (SBU) Spain is a good customer for U.S. defense items and one of the largest Foreign Military Sales (FMS) customers in Europe, with more than \$2.58 billion in purchases from 1997 to 2007. The Spanish military often favors U.S. equipment, and in recent years, Spain has made politically difficult

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decisions to buy U.S.-made combat systems for its S-80 submarines and F-100 frigates (Spain uses the AEGIS system).

//COUNTERTERRORISM COOPERATION//

¶16. (SBU) Spain is an al-Qaeda target and a critical player in U.S.-EU counterterrorism efforts due to its proximity to the Maghreb and a population that includes more than one million Muslims, mostly immigrants. Senior Al-Qaeda leaders often call for attacks to recapture the medieval "Al Andalus," and the Spanish enclaves of Ceuta and Melilla in

North Africa are a fixation for Al-Qaeda in the Maghreb and other extremists. The March 11, 2004, train bombings killed 191 persons and injured nearly 2,000 more, making it the second-deadliest terror attack in European history. The Spanish government considers the threat from Islamic terrorism to be one of its top national security priorities and has identified numerous Islamic extremist groups operating within its borders. The Spanish are actively pursuing Islamic extremism terrorism-related investigations and have scores of suspects in jail. Public opinion polling shows nearly three-quarters of Spaniards are worried about the threat of Islamic fundamentalism, more than in the U.S. or Europe as a whole.

¶17. (SBU) Bilateral CT cooperation is strong. Spain pursues an aggressive agenda in law enforcement, judicial, and information-sharing efforts, at least with us. One example is the HSPD-6 agreement we signed in 2007 to facilitate the sharing of information between our national counterterrorism authorities. Spain also is a founding member of the Proliferation Security Initiative. Spain has hosted a number of Global Initiative to Combat Nuclear Terrorism (GI) events in 2008 and has been at the forefront of efforts to expand membership. Spanish officials recently have given indications that Madrid wants to deepen bilateral cooperation -- especially emergency preparedness exercises -- to combat nuclear terrorism. Our Consulate General in Barcelona is increasing its staff size as part of an inter-agency initiative to host a jointly-coordinated counterterrorism, anti-crime, and intelligence center to combat the target-rich environment of terrorist and criminal activities in the region, which has been the site of more than a dozen raids on suspected radical Islamists since 9/11, including the dismantlement in January 2008 of a cell with ties to Al-Qaeda that reportedly intended to attack Barcelona's subway system.

//PERSONAL SECURITY//

¶18. (U) In general, Spain is safe. However, Madrid and other large cities attract a large number of criminals and pickpockets and frequent incidents of crime of opportunity against the unwary do occur. It is best to carry only essential items, including a photocopy of your passport's photo page. Visitors can protect themselves against crime by being street-smart, alert and aware of their surroundings. Travelers are encouraged to review the most recent Worldwide Caution issued by the Department of State. As the Department of State continues to develop information on any potential security threats to Americans overseas, it shares credible threat information through its Consular Information Program documents, available on the Internet at <http://travel.state.gov>. Additional information regarding safety and security in Spain is available on the U.S. Department of State's website ([www.embusa.es](http://www.embusa.es)).  
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